

WEEKLY HEALTH CARE REAL ESTATE BRIEFING: PHYSICIAN-OWNED HOSPITALS MAY LOWER COSTS TO MEDICARE PROGRAM | CHALLENGES TO HOSPITAL TAX EXEMPTIONS | RECORD STARK LAW SETTLEMENTS

1. According to a **recent study**, physician-owned hospitals treated some of the most expensive Medicare beneficiaries at significantly lower costs compared to traditional hospitals, despite serving similar patient populations. The study follows a recent Congressional hearing that debated legislation to loosen restrictions on physician-owned hospitals.
2. The Pennsylvania Supreme Court will **weigh in** on the extent to which nonprofit hospitals can reward executives for earning net income and still qualify for local property tax exemptions. The case arose from a lower court denial of property tax exemption for Tower Health's Pottstown Hospital due to an overemphasis on tying executive compensation to financial performance.
3. A U.S. Senate committee led by Sen. Bernie Sanders **recently scrutinized** 12 major tax-exempt hospitals that dedicated less than 2% of their total revenue to charity care in 2021. The American Hospital Association has countered that tax-exempt hospitals provided \$129B in community benefits in 2020, which averages 15.5% of total expenses.
4. CMS settled a record-breaking \$9.29M in **Stark self-referral disclosures** in 2022, according to recent data from CMS. By contrast, the data show that, in the prior 10-year period, CMS self-referral disclosures averaged around \$3.5M per year.
5. A **recent research paper** found the health care and life science industries continue facing significant challenges, including an estimated \$2.6 trillion in loan maturities through 2027. The debt situation has a particular impact on the health care sector, but opportunities may arise for health care real estate investors to acquire distressed assets at a discount in anticipation of long-term growth in the sector.
6. Detroit Pistons owner Tom Gores is seeking \$273M in tax breaks and incentives to build 662 units of mixed-income housing and a new medical research center jointly developed by **Henry Ford Health** and Michigan State University in Detroit's New Center area.
7. Behavioral health real estate is **expected to grow** in California as public money is flowing in to support the cause of mental health. The state announced more than \$1B in behavioral health grants this summer.
8. A recent **report** from BMO Capital Markets found that only 6% of REIT nursing home assets are in compliance with the recent federal minimum staffing proposal. In the broader nursing home industry, 19% meet such minimum staffing benchmarks.
9. Advocate Health is **constructing** a 60,000-sf medical center inside a shopping mall in Chicago that will include office space, immediate care and an ASC. The project will cost around \$75M and will include 50 exam rooms for primary care, family medicine, orthopedics, obstetrics, GI and sports medicine.
10. Ascension Seton Williamson **announced** a \$230M expansion to its Round Rock, TX hospital campus. The expansion will include the addition of a 216,000-sf, six-story tower with 160 patient rooms and two operating rooms.

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